

**WAUKON AREA FIRE  
PROTECTION DISTRICT**

**FINANCIAL REPORT**

**JUNE 30, 2014**

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WAUKON AREA FIRE PROTECTION DISTRICT

OFFICIALS

<b>Title</b>	<b>Name</b>	<b>Representing</b>
<b>Chairman</b>	<b>Tony Baxter</b>	<b>Franklin &amp; Union Prairie Townships</b>
<b>Vice Chairman</b>	<b>Glen Mathis</b>	<b>City of Waukon</b>
<b>Secretary</b>	<b>Adam Bieber</b>	<b>French Creek &amp; Makee Townships</b>
<b>Treasurer</b>	<b>Trent Mitchell</b>	<b>City of Waukon</b>
<b>Commissioner</b>	<b>Greg Kerndt</b>	<b>Center &amp; Jefferson Townships</b>
<b>Commissioner</b>	<b>Loren Beneke</b>	<b>City of Waukon</b>
<b>Commissioner</b>	<b>Bob Larkin</b>	<b>Hanover and Ludlow Townships</b>
<b>Commissioner</b>	<b>Don Steffens</b>	<b>City of Waukon</b>
<b>Fire Chief</b>	<b>Dave Martin</b>	<b>Ex-officio</b>
<b>Assistant Fire Chief</b>	<b>Bill Hennessey</b>	<b>Ex-officio</b>
<b>Assistant Fire Chief</b>	<b>Paul Mathis</b>	<b>Ex-officio</b>

INDEPENDENT AUDITOR'S REPORT  
ON THE FINANCIAL STATEMENT

To the Commissioners of the  
Waukon Area Fire Protection District  
Waukon, Iowa

Report on the Financial Statement

We have audited the accompanying financial statement of the Waukon Area Fire Protection District (District), as of and for the year ended June 30, 2014, and the related notes to the financial statement, which collectively comprise the District's financial statement as listed in the table contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Waukon Area Fire Protection District as of June 30, 2014, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

As described in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

## Other Matters

### *Disclaimer of Opinion on Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprise the District's basic financial statement. The management's discussion and analysis on pages 4 to 4b, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information has not been subjected to auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2015, on our consideration of the Waukon Area Fire Protection District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waukon Area Fire Protection District's internal control over financial reporting and compliance.

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
February 19, 2015

## WAUKON AREA FIRE PROTECTION DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Waukon Area Fire Protection District (District) provides this management's discussion and analysis of its financial statement. This narrative overview and analysis of the financial activities of the District is for the year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statement which follows.

#### 2014 FINANCIAL HIGHLIGHTS

- Operating receipts increased 209.5%, or approximately \$377,000 from fiscal 2013 to fiscal 2014.
- Operating disbursements decreased 3.6%, or approximately \$3,400 from fiscal 2013 to fiscal 2014.
- Nonoperating receipts increased 98.8%, or approximately \$52,000 from fiscal 2013 to fiscal 2014.
- Nonoperating disbursements increased 289.5%, or approximately \$415,000 from fiscal 2013 to fiscal 2014.
- Cash basis net position increased 37%, or approximately \$8,700 from June 30, 2013 to June 30, 2014.

#### USING THIS ANNUAL REPORT

The District has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets, their related revenues and liabilities, and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the financial statement. The annual report consists of the financial statement and other information, as follows:

- Management's discussion and analysis introduces the financial statement and provides an analytical overview of the District's financial activities.
- The statement of cash receipts, disbursements, and changes in cash balance presents information on the District's operating receipts and disbursements, nonoperating receipts and disbursements and whether the District's cash basis financial position has improved or deteriorated as a result of the year's activities.
- Notes to financial statement provide additional information essential to a full understanding of the data provided in the financial statement.

## FINANCIAL ANALYSIS OF THE DISTRICT

### Statement of Cash Receipts, Disbursements, and Changes in Cash Balance

The purpose of the statement is to present the receipts received by the District and the disbursements paid by the District, both operating and nonoperating. The statement also presents a fiscal snapshot of the District's cash balance at year end. Over time, readers of the financial statement are able to determine the District's cash basis financial position by analyzing the increase and decrease in cash basis balance.

Operating receipts are received for services provided by the Waukon Area Fire Protection District as well as grant income. The purpose of the District shall be to provide and administer fire protection services and such other emergency services as may be approved for and within Waukon and all or parts of the area Townships. The City of Waukon and Townships of Center, Jefferson, French Creek, Makee, Franklin, Union Prairie, Hanover, and Ludlow are the District's members. Operating disbursements are disbursements paid to operate the Waukon Area Fire Protection District. Nonoperating receipts are for interest on investment, loan proceeds, and sale of equipment. Nonoperating disbursements are debt obligation payments and equipment purchased. A summary of cash receipts, disbursements, and changes in cash balance for the years ended June 30, 2014 and 2013 is presented below:

	Changes in Cash Basis Net Position	
	Year Ended June 30, 2014	2013
Total operating receipts	\$ 557,301	\$ 179,946
Total operating disbursements	94,354	97,843
Excess of operating receipts over operating disbursements	462,947	82,103
Nonoperating receipts (disbursements):		
Interest on investments	232	302
Loan proceeds	101,712	51,000
Loan principal payments	(17,815)	(9,930)
Interest expense	(5,138)	(1,570)
Sale of equipment	2,850	1,400
Construction expense	(124,683)	
Equipment purchased	(411,347)	(132,027)
Total nonoperating receipts (disbursements)	(454,189)	(90,825)
Change in cash basis net position	8,758	(8,722)
Cash basis net position beginning of year	23,632	32,354
Cash basis net position end of year	<u>\$ 32,390</u>	<u>\$ 23,632</u>

In fiscal 2014, operating receipts increased approximately \$377,000 that was due to a combination of an increase in City and Township contributions for the fire truck and fire station of approximately \$344,000, an increase in contributions of approximately \$20,000, and an increase in grants of approximately \$13,000. In fiscal year 2014, operating disbursements decreased approximately \$3,400, or 3.6%, over fiscal 2012. Nonoperating disbursements increased \$415,000, or 289.5%, due to a decrease of principal and interest payments of approximately \$11,000, an increase in equipment purchases of approximately \$279,000, and an increase in construction expense of approximately \$125,000. Nonoperating receipts increased \$52,000 due to an increase in loan proceeds received.

## DEBT ADMINISTRATION

At June 30, 2014, the District has an outstanding loan balance for a tanker of \$36,801. The interest rate is 4% and is due on January 25, 2016. The District has an air pack loan with an outstanding loan balance of \$41,070 at June 30, 2014. The interest rate is 4% and is due September 6, 2017. During the fiscal year, the District borrowed \$101,712 to purchase a pumper truck. At June 30, 2014, the outstanding loan balance was \$97,092. The interest rate is 2% and is due on December 3, 2023 (see note 4).

## ECONOMIC FACTORS

The Waukon Area Fire Protection District's financial position increased 37%, or \$8,700 from fiscal 2013. The current condition of the economy in the state continues to be a concern for District officials. Some of the realities that may potentially become challenges for the District to meet are:

- Facilities require constant maintenance and upkeep and need to be replaced at some point in time. The District is looking into a new facility rather than replacing the current building.
- Property tax rollback and annexation of land by the City of Waukon from Makee and Union Prairie Townships will decrease the amount of funds available to the District.
- New training and safety standards will increase the cost of training for the District.
- The Waukon Area Fire Protection District will acquire over \$400,000 worth of essential equipment through federal grants and loans over the next few years. In 15 years, this equipment will need to be replaced.

The District is building a new fire station rather than replacing the current building. Construction started in fiscal year 2015. The District anticipates that the current fiscal year will be one of transition as it completes the new fire station.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Anthony Baxter, 1552 West Ridge Road, Waukon, IA 52172.

WAUKON AREA FIRE PROTECTION DISTRICT  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCE  
Year Ended June 30, 2014

Operating receipts	
City contributions	\$ 336,000
Township contributions	168,248
Charges for service	250
Contributions	27,015
Grant income	24,331
Miscellaneous	1,457
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Total operating receipts	557,301
	<hr/>
Operating disbursements	
Payroll	11,899
Payroll taxes	910
Accounting	3,974
Training	2,027
Vehicle fuel	3,890
Utilities	8,468
Service contracts	1,960
Supplies	35,921
Repairs and maintenance	23,880
Miscellaneous	1,088
Insurance	337
	<hr/>
Total operating disbursements	94,354
	<hr/>
Excess of operating receipts over operating disbursements	462,947
	<hr/>
Nonoperating receipts (disbursements)	
Interest income	232
Loan proceeds	101,712
Loan principal payments	(17,815)
Interest expense	(5,138)
Sale of equipment	2,850
Construction expense	(124,683)
Equipment purchased	(411,347)
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Total nonoperating receipts (disbursements)	(454,189)
	<hr/>
Change in cash balance	8,758
	<hr/>
Cash balance, beginning of year	23,632
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Cash balance, end of year	\$ 32,390
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Cash basis fund balance	
Unrestricted	\$ 32,390
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See Notes to Financial Statement.

WAUKON AREA FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENT

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1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

The Waukon Area Fire Protection District (District) was formed in July 2006 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the District shall be to provide and administer fire protection services and such other emergency services as may be approved for and within the City of Waukon and all or parts of the Townships.

The governing body of the District is composed of eight Commissioners. The City of Waukon is represented by four Commissioners. The remaining four Commissioners represent two Townships each which are as follows: 1) Center and Jefferson; 2) French Creek and Makee; 3) Franklin and Union Prairie; and 4) Hanover and Ludlow.

b. Significant Accounting Policies

*Reporting Entity*

For financial reporting purposes, the Waukon Area Fire Protection District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

*Basis of Presentation*

The accounts of the District are organized as an enterprise fund. Enterprise funds are utilized to finance and account for the acquisition, operation, and maintenance of governmental facilities and services supported by user charges.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in the connection with an enterprise fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

*Basis of Accounting*

The Waukon Area Fire Protection District maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the District is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statement does not present the financial position and results of operations of the District in accordance with U.S. generally accepted accounting principles.

NOTES TO FINANCIAL STATEMENT

2. Cash and Investments

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the District; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The District does not have an investment policy that limits the District's allowable deposits or investments.

The District has no investments meeting the disclosure requirement of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

3. Risk Management

The District is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

4. Notes Payable

A summary of the changes in debt for the year ended June 30, 2014 is as follows:

	Balance June 30, 2013	Borrowed	Paid	Balance June 30, 2014	Amounts Due Within One Year
Note payable - tanker	\$ 49,996	\$ None	\$ 13,195	\$ 36,801	\$ 14,811
Note payable - air packs	\$ 41,070	\$ None	\$ None	\$ 41,070	\$ 9,479
Note payable – truck	\$ None	\$ 101,712	\$ 4,620	\$ 97,092	\$ 9,374

The note payable - tanker is to be repaid in four annual installments of \$16,350 that began on January 25, 2012 with a balloon payment on January 25, 2016. The interest rate is 4%. The note is unsecured.

The note payable – air packs is to be repaid in four annual installments of \$11,500 beginning September 6, 2013 with a balloon payment on September 6, 2017. The interest rate is 4%. The note is unsecured.

The note payable – truck is to be repaid with monthly installments of \$935.89 beginning January 4, 2014 with a maturity date of December 4, 2023. The interest rate is 2.0%. The note is secured by a superior security interest in the truck.

NOTES TO FINANCIAL STATEMENT

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4. Notes Payable (Continued)

Aggregate maturities of notes payable during the years following June 30, 2014 are as follows:

Year ended June 30,		
2015	\$	33,664
2016		41,790
2017		20,400
2018		20,666
2019		10,155
Thereafter		48,288
	\$	174,963

5. Commitments

Total outstanding construction and purchase commitments of the District at June 30, 2014 amount to \$1,365,385 and commitments to be reimbursed is \$None. The outstanding construction commitments are in regards to the construction of a new fire station facility that broke ground after June 30, 2014.

6. Subsequent Events

The District received \$750,000 from the townships and \$680,000 from the City of Waukon for the construction of the new fire station after June 30, 2014.

Management has evaluated subsequent events through February 19, 2015, the date on which the financial statement was available to be issued.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF A FINANCIAL STATEMENT PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Commissioners of the  
Waukon Area Fire Protection District  
Waukon, Iowa

We have audited, in accordance with the U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of Waukon Area Fire Protection District, as of and for the year ended June 30, 2014, and the related notes to the financial statement, which collectively comprise Waukon Area Fire Protection District's basic financial statement, and have issued our report thereon dated February 19, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered Waukon Area Fire Protection District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Waukon Area Fire Protection District's internal control. Accordingly, we do not express an opinion on the effectiveness of Waukon Area Fire Protection District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Waukon Area Fire Protection District's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described below that we consider to be a significant deficiency.

### Segregation of Duties

The District is not large enough to permit an adequate segregation of duties for an effective system of internal control. The concentration of closely related duties and responsibilities such as the handling of cash receipts and disbursements, recording of the cash transactions and preparing various reports by a small staff makes it impossible to establish an adequate system of automatic checks for good internal control. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statement.

### Recommendation

We realize this condition will be difficult to improve on. However, we do believe it is important the District be aware this condition does exist and make changes when appropriate and cost effective.

### Response

Approved the recommendation. We will comply with it.

### Conclusion

Response accepted.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waukon Area Fire Protection District's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Waukon Area Fire Protection District's Response to Finding

The Waukon Area Fire Protection District's response to the finding identified in our audit is described above. Waukon Area Fire Protection District's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
February 19, 2015

## MANAGEMENT LETTER

To the Commissioners of the  
Waukon Area Fire Protection District  
Waukon, Iowa

In planning and performing our audit of the financial statement of the Waukon Area Fire Protection District for the year ended June 30, 2014, we considered the District's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statement and not to provide assurance on internal control.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the District's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 5 below are compliance comments required by the Iowa Auditor of State. A separate report dated February 19, 2015, contains our report on the District's internal control over financial reporting. This letter does not affect our report dated February 19, 2015 on the financial statement of Waukon Area Fire Protection District. All prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the District's responses and, accordingly, we express no opinion on them.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

1. **Questionable Disbursements**  
We noted no disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
2. **Travel Expense**  
No disbursements of District money for travel expenses of spouses of District officials and/or employees were noted.
3. **Business Transactions**  
No business transactions between the District and District officials were noted.
4. **District Minutes**  
No transactions were found that we believe should have been approved in the District minutes but were not.
5. **Deposits and Investments**  
No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa.

This report, a public record by law, is intended solely for the information and use of the officials, and citizens of the Waukon Area Fire Protection District and federal awarding agencies and pass-through entities whom the District may report. This report is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of the Waukon Area Fire Protection District during the course of our examination.

If you have any questions concerning these or other matters, we would be happy to discuss them with you at your convenience.

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
February 19, 2015